



WORLD BANK NEWS

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LENDING

Loan To Russia Will Boost Oil Industry

The World Bank yesterday approved a \$500 million loan oil production loan for Russia to help rehabilitate an industry which is crucial to the country's future.

The beneficiaries of the loan are three Oil Producer Associations in Western Siberia: Megionneftegas, Tomskneft, and Yuganskneftegas. They will use the funds for well-workovers, reconstruction of field infrastructure, infill wells and equipment and training for environmental management to help mitigate the pollution caused by current inefficient oil operations. Key components of the project involve replacing pipelines to reduce oil leakages, and pilot environmental clean-up programs.

At peak production, the project will provide 8.3 million tons a year of incremental oil, a 2.5 percent increase in national output. This will generate additional gross revenues of about \$900 million annually. Total project costs are esti-

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LENDING

Brazil Water Project To Protect Health, People – And Pots

It was a clash of priorities in a southeastern Brazilian state. When a survey asked the people of Espirito Santo what they needed most to improve their lives, they said more reliable water and better sewers. Many people get running water only a few hours a day, while the poorest homes have none at all. Sewage runs untreated through streets, threatening health and polluting the area's coastal waterways.

But part of a comprehensive plan, supported by a \$154 million World Bank loan, to improve water and sanitation services ran into another of the people's priorities: preserving the traditional potters craft that produces panelas, ancient clay pots symbolic of the region. A planned waste treatment plant

threatened to cover up a clay deposit used by the artisans.

"It could have damaged this industry that has been there for centuries," says Carlos E. Velez, a senior economist in the Bank's Latin American region.

Other sites for the plant were lacking in the crowded urban area, so Bank and government staff again surveyed the people to find ways to resolve the con-

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Potters protected.

World Bank

Pakistan is moving to privatize its power sector.

Congo wrestles its long-slumping economy back on track.

Program launched to rescue the Aral Sea.

Better schools in the offing for Brazilian state of Parana.

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Private Power for Pakistan

Pakistan is launching a broad plan to restructure and privatize its power sector. The program, backed by a \$230 million World Bank loan approved June 23, will set the stage for a deregulated market with both public and private companies competing to supply and distribute electricity. The project will also expand Pakistan's power infrastructure with a series of new generators and extensions of transmission and distribution networks to help reduce the country's chronic power shortages.

"Shortages of electricity happen very often," says Zoubeida Ladhibi-Belk, task manager for the project. "And it's having a negative impact on the economy."

The project supports a series of ongoing improvements that will lead to more than 4,000 megawatts of new capacity in both hydro and thermal generators, more than 3,000 km of transmission lines in new and ongoing projects and almost two million new service connections for low voltage customers. A rural electrification program will deliver electricity to about 500,000 new customers.

The broader reforms will be part of Pakistan's overall plan to privatize the power sector. The project will convert the public utility, the Water and Power Development Authority (WAPDA), into a holding company with decentralized power generation, transmission and distribution subsidiaries. Each subsidiary will operate as a separate profit center.

"Getting the private sector involved will provide additional financing and efficiency in the power sector," says Ladhibi-Belk. "It's a critical sector for the economic development of the country."

Under the project, an independent regulatory agency will be created to oversee a largely privately owned and operated power system.

Additionally, the project will provide technical assistance and training to WAPDA to improve its environmental and resettlement capabilities □

Congo Moves To Shake Off Economic Slump

Congo is richly endowed with a good climate, tropical forests and mineral resources, especially oil. But the oil boom that led to prosperity for Congo turned to a bust in the mid-1980s. The collapse of petroleum prices, combined with bad economic policies, dragged the country's economy into a financial crisis that endures today.

By 1993, per capita gross domestic product had fallen 20 percent, driving up poverty and unemployment. Among urban youth, jobless rates reach an estimated 40 percent. Social services suffered deep cuts. Schools and health centers, especially in poor areas, deteriorated.

But now Congo is fighting its way out of its decade-long economic plight. The democratically elected government is instituting a range of difficult economic reforms—ranging from paring down the oversized bureaucracy to privatizing key industries—designed to put the country back on track to prosperity.

To help Congo with its ambitious restructuring plan, the International Development Association has approved an economic recovery credit of SDR 70 million (\$100 million). The credit will provide Congo with much-needed foreign exchange to pay some of the costs of the recovery measures.

"The government is serious about reorienting its economy," says Naiem Sherbiny, a senior economist in the Bank's Africa region and task manager for the IDA program.

"The challenges are daunting. But they have been able to work with the opposition parties and the labor unions to build support. You have to give them a lot of credit."

As serious as the oil crisis was, Congo's economic problems really began in the 1970s when oil money flooded the treasury, leading to massive and often ill-managed public spending. The civil service began to expand, doubling to about

80,000 personnel by 1993. And the government launched a number of large public industries in the oil and other sectors. But enterprises such as the main refinery, oil distribution and storage systems and telecommunications networks performed badly.

"You had six large enterprises that were really six white elephants," says Sherbiny. "They absolutely sapped public revenues and produced little."

When oil prices fell in the mid-1980s, Congo turned to heavy international borrowing to sustain its spending even as revenues fell by almost 60 percent. By 1993, civil service wages were consuming 97 percent of total revenues and the country's external debt had swelled to \$5.1 billion.

"Mismanagement was covered by oil revenues, so nobody noticed," says Sherbiny. "When the money started to decline, that's when all the cracks began to show."

But the government's new reform program, as well as the recent move by Congo and other Francophone African countries to halve the value of their shared CFA franc against the French franc, leave Sherbiny cautiously optimistic.

Other reforms include:

- Sharply reducing the size of the civil service, in addition to 8,000 positions already cut.
- Expanding health, education and other social programs into poor rural areas.
- Continuing to privatize some state enterprises, including the refinery, liquidate others and promote competition in other state-dominated industries.
- Improving bank oversight and audits, which have already identified two banks for closing and two for privatizing.
- Restructuring tax, regulatory and legislative incentives in the oil sector to attract more outside investors. □

Program Launched To Rescue The Dying Aral Sea

Donors have pledged backing for a long-term international program to tackle one of the world's worst environmental and development disasters, the dessication of the Aral Sea in Central Asia and the deterioration of the entire Aral Sea Basin.

At a meeting in Paris last week hosted by the World Bank, the United Nations Development Program, and the United Nations Environment



Kadir Yurukoglu

Programme, donors offered \$31.4 million to help advance the first phase of a program prepared by the five riparian states—Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

Total donor commitments generated by the meeting are expected to reach about \$41 million. The funds will primarily finance feasibility studies and help to build local institutions necessary to carry out the program.

Tackling the Aral Sea crisis poses an enormous challenge to these new states, which only a few years ago were republics of the former Soviet Union. The Aral Sea Basin covers 690,000 square kilometers (266,400 square miles), slightly more than Texas, and is home to 35 million people.

In 1960, it was the world's biggest inland body of fresh water. But today the sea is half that size, destroyed by the diversion of the Amu Dar'ya and Syr Dar'ya rivers to irrigate massive, centrally-planned agriculture.

Excessive use of chemicals for growing cotton and rice has exacerbated the crisis by polluting ground water. The shore line has receded. Salts blowing from the exposed seabed are toxic to people, agriculture and wildlife. The local fishing industry, on which thousands of people depended for centuries,

has all but vanished. Respiratory diseases are common.

Although perhaps 3.5 to 4 million people are affected in the disaster zone itself, the full impact is much wider because the disruption of the natural drainage has damaged the entire Basin. Clean water for industry, agriculture and human consumption is in short supply.

"The whole issue is that water is probably the most precious resource in this part of the world," said Kadir Yurukoglu, chief of the division responsible for the program in the Bank.

The Aral Sea Program has four main objectives: to stabilize the Aral Sea environment; to rehabilitate the disaster zone immediately around the Sea; to improve management of the international waters of the Aral Sea Basin; and to build the capacity of regional institutions to plan and implement the program.

This program is based on early work by UNEP and on close collaboration between the Bank, UNDP and UNEP, working with the governments involved. Missions to investigate the crisis and draw up the program have been undertaken at the invitation of the governments by the Bank separately and by the Bank, UNDP and UNEP together.

The riparian governments have signalled their commitment to the program by establishing special regional institutions. The Interstate Council for Addressing the Aral Sea Crisis (ICAS) is a political forum for the five states. The Executive Committee is ICAS' operational body and the International Fund for the Aral Sea (IFAS) is the funding arm.

But a crucial element is participation by non-governmental organizations. The first day of the two-day Paris meeting was devoted to promoting involvement in the program by international and local NGOs.

Yurukoglu said: "We'd like to see an active role by NGOs here both in the design and implementation of the program. We want to engage them at all stages."

The first phase of the program is scheduled to last three years. It includes starting 20 projects, one of which is to assist with improving the capacity of the regional organizations.

The other projects consist of three designed to begin improving the environment around the sea and the river deltas, seven for improving conditions in the disaster zone, and nine for managing the basin's water resources. All these projects could cost a total of \$220 million.

So far, the Bank has contributed about \$5.5 million and the Global Environment Facility—which is jointly managed by the Bank, UNDP and UNEP—has put up \$500,000. The Bank is preparing two clean water and health projects in each of Turkmenistan and Uzbekistan, and a project to restore the northern Aral Sea in Kazakhstan. The Bank is also ready to consider requests from the riparian states for further help.

Overall, the program to resuscitate and restore the Aral Sea Basin could take 15 to 20 years. "These types of watershed programs take a long time," Yurukoglu said. □

Bank Approves Loan to Caribbean Development Bank

The World Bank this week approved a \$31 million loan to the Caribbean Development Bank (CDB), which the CDB will in turn lend to the 12 island countries it serves. The loan, which

includes an IDA credit of SDR 7.8 million (\$11 million), will support projects in eligible countries in approved areas such as agriculture, tourism, infrastructure and private sector development.

More Water In Brazilian Homes, Less Pollution In Rivers

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flict. As a result, the project will improve local health and the environment while protecting the artisans: before construction starts, project engineers will help excavate and store the remaining clay for future use in a specially designed building; they have helped find other suitable clay sites; and the project will help potters learn how to sell more of their wares in nearby cities.

"Instead of opposing it, they became friends of the project," says Velez, task manager for the \$154 million loan. "Now they won't have sewage running through the streets where children are playing, and conditions will be in place for a considerable decrease in water-borne disease."

Better sewage treatment will also protect the beaches and waterways of Espirito Santo, including important estuarine ecosystems and potentially lucrative tourist spots. The project will build 12 sewerage systems and 10 wastewater treatment plants throughout the state, boosting sewage coverage from 11 percent of households to about 43 percent.

Water quality modeling shows that the improved sewage collection and treatment will lower coliform levels in area waterways. Without the project, such contamination—along with related oral-fecal illnesses—would rise with the growing population.

The program's water supply components will eliminate the bottlenecks in water systems that cause shortages in many neighborhoods. And the project will expand water coverage, especially into poorer areas. The surveys indicated that among poor people—some of whom must spend hours a day hauling water from distant wells—the demand for reliable water was especially high, and that they are willing to pay a fair price for water service in their homes.

The project will also provide training

and technical assistance to improve the state water agency's management of the systems. And it will help the state environmental

agency with water quality monitoring, pollution control and environmental information and education programs. □



S. Kerner/UN

Faucets will be better than fetching.

WEEKLY LENDING ROUNDUP

ALBANIA

Albania is launching a plan to repair or replace more than 250 schools across the country with backing from a credit of SDR 6.9 million (\$9.6 million) from the International Development Association. The project will also strengthen national education planning and management. Albania's schools were damaged and enrollment began falling during the social turmoil of 1990-92.

BANGLADESH

An IDA credit of SDR 104 million (\$147 million) will give a boost to Bangladesh's ability to plan, design, build and, most importantly, maintain roads. In addition to strengthening the country's road agencies, the project itself will provide needed repairs and improvements to more than 2,000 km of roads in Western Bangladesh.

BULGARIA

The private sector will become more involved in Bulgarian agriculture and related sectors under a plan backed by a \$50 million World Bank loan. The project will provide medium- and long-term foreign exchange credit for private investments in farm machinery and other equipment.

COTE D'IVOIRE

Two IDA projects approved this week target Cote D'Ivoire's farm and labor sectors. One, a credit of SDR 15.7 million (\$21.8 million) will improve services and advice available to farmers by combining three extension services into one agency. The project will also strengthen crop research and the organization of agriculture ministries. The second project, a credit of SDR 12.1 million (\$17 million), will help Cote D'Ivoire expand its vocational training system to meet the needs of new small enterprises. Also, the project will set up a labor monitor system to track the training needs of workers and employers.

KYRGYZ REPUBLIC

Less than 8 percent of people in the Kyrgyz Republic had telephone service in 1993. Even for subscribers, usually businesses or government offices, service is poor and unreliable. An IDA credit of SDR 12.8 million (\$18 million) will help the country begin to expand and improve telephone service, and to restructure the industry with more private involvement. A second IDA project, a credit of SDR 42.5 million (\$60 million), will provide foreign exchange support for the country's privatization reforms. The program backs the government's plans to stimulate private sector development, improve enterprise governance and carry out banking reforms.

LEBANON

Two World Bank loans to Lebanon were approved this week. A \$57 million loan will help the country boost employment and living standards in rural areas by rehabilitating its irrigation systems. It will also improve the management, environmental and research capacity of irrigation-related agencies. The second project, backed by a \$19.9 million loan, will help Lebanon rebuild key agencies, many of which were decimated by civil war. The project will provide technical assistance and equipment to the customs administration, land registration agencies and the domestic tax administration.

MOROCCO

Moroccan farmers will benefit from a \$121 million World Bank loan that will help Morocco's Ministry of Agriculture carry out some of its top priority projects. Over the next three years, the program will launch projects in agricultural education, livestock, crop production, plant protection, land policy, rainfed land improvements, forestry, farm extension and irrigation.

Bank Backs Primary School Reform in Brazilian State

The state of Paraná is in the southern—generally more developed—part of Brazil. But its educational system suffers problems more common to the poorer sections of the country: most residents older than 10 years of age have four or fewer years of school; of every new class of 100, only half will finish the eighth grade and less than 3 percent will do so without repeating a grade.

"Paraná is one of the better-off states in Brazil, and yet you see the same problems in education there as in the rest of the country," says Katherine Hovde, task manager for a new \$96 million World Bank project to improve primary schools in the state. "We need to make sure students are learning more."

Paraná, like much of Brazil, must overcome serious obstacles. Textbooks and teaching materials are in short supply. Teachers are poorly trained and rely on rigid, outdated methods. And well-intended efforts at decentralization have not clearly defined the new roles of federal, state and local governments, leading sometimes to considerable overlap and sometimes to wide gaps in quality and spending.

But in recent years, the Paraná government has begun a range of educational reforms. Now, the new Bank project will help the state boost student learning and increase graduation from primary school.

The objectives of the project range from getting better books and materials into classrooms to evening out the differences in spending on the 1.6 million primary school students in state and local systems.

A key goal is to reduce the number of students who have to repeat grades. Rep-

etition alone costs the state more than a quarter of its primary education budget, and it makes learning more difficult for students.

"A child who repeats two or three times gets discouraged and bored," says Hovde. "It's one more reason to drop out."

Specifically, the project will provide:

Instructional Materials, especially a regular supply of textbooks to children in both state and municipal schools, more than 20 million books for grades one through eight. New library materials and teaching tools such as maps, games, science and math aids, and even televisions and VCRs, will be supplied.

Teacher Training, in the form of face-to-face workshops and distance training for 93,000 teachers, principals and supervisors. Courses will cover classroom management, use of materials, evaluation and the main areas of the curriculum.

More and Better Schools, to reduce overcrowding and keep up with growth, especially in low-income areas. The project will build and furnish 183 new schools to replace dilapidated buildings and makeshift classrooms and to reduce the distance some students have to walk to school.

Strong Educational Agencies, to oversee this project and all aspects of state and local school systems. Through training and technical assistance, the project will improve the agencies' ability to test and monitor student performance, to coordinate among themselves and to manage the schools at all levels.

And a prize fund will be set up to reward excellent performance by schools and school systems. □

Donors Promise Help To FYR Macedonia At Meeting

Members of the newly formed Consultative Group for the Former Yugoslav Republic of Macedonia indicated at a preliminary meeting they could provide significant financial and technical assistance to the country. But more balance-of-payment support will be needed to close expected gaps in FYR Macedonia's financing.

The group, meeting in Paris June 28, examined the country's recent economic performance and reviewed its prospects, stabilization and reform policies and its probable needs. Donors expect turmoil in the region to contribute to large financing gaps for FYR Macedonia this year and next.

The continuing turmoil makes the country's reform agenda even more difficult to carry out, delegates noted, citing the closure of its southern border, the embargo against the Federal Republic of Yugoslavia and the country's heavy debt burden. But donors applauded the government's success in the last six months in meeting the fiscal and monetary targets agreed with the International Monetary Fund. Several delegates noted the importance of FYR Macedonia's reform efforts as a measure to restore stability to the region.

For its part, the government reaffirmed its commitment to maintain tight fiscal, monetary and income policies as crucial to the stabilization program. The government outlined steps being taken to reduce losses in state-owned and -managed enterprises, and pledged to speed up the privatization program, restructure enterprises and reform the banking system. Government representatives also informed the group of initial contacts they had made with the Paris Club of official creditors. □

DEVELOPMENT AGENDA

Date	Event	Sponsor	Location	Telephone
JUNE				
23-July 4	Conference on "Cities and Sustainable Development"	Global Forum '94	Manchester, U.K.	(44-61)234-3741
29-July 1	India Development Forum	World Bank	Paris	(33-1)4069-3016
JULY				
7-8	Indonesia Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
8-9	G-7 Summit		Naples, Italy	
11	Uzbekistan Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
12-14	GEF Council Meeting	GEF	Washington	(202)473-5102*
18-19	Uganda Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
21-22	Philippines Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
21-22	50th Anniversary Conference of the Bretton Woods Institutions	US State Department	Washington	(202)473-1789*
AUGUST				
22-26	Environment and Quality of Life in Central Europe: Problems of Transition	Int'l Geographic Union Regional Conference	Prague	(42-2) 203608
SEPTEMBER				
5-13	International Conference on Population and Development	United Nations	Cairo	(202)297-5000*
7-9	U.S. - Africa Telecoms and Broadcasting Conference	Africa Communications Magazine	Washington	(202)667-2111*

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

Year's Lending To Russia Reaches \$1.5 Billion

OIL, from page 1

mated to be \$678 million, with the Oil Producer Associations providing \$178 million, or 26 percent.

"Earlier this year Russian Prime Minister Victor Chernomyrdin confirmed Russia's interest in borrowing for investment operations that would support specific components of the reform program and identifying high priority operations. This loan describes the progress made in creating a market-based pricing structure in energy and in creating the legal

framework for private investment in the development of oil and gas resources," said World Bank President Lewis T. Preston.

Energy production—including oil, gas, coal and electricity—make up about a seventh of Russia's economic output and half its foreign exchange earnings. But in addition to helping raise oil production, an important objective is to support Russia's policy reforms in the energy sector. This is essential if the country is to mobilize up to \$50 billion, primarily from the private sector, needed by the year 2000 to arrest production decline, which is running at about 12 percent annually. Only six years ago Russia was the world's biggest oil producer. It now ranks behind Saudi Arabia and the United States.

The Bank's first Oil Rehabilitation loan for Russia, for \$610 million, was approved in June 1993. The funds are being disbursed to three other Western Siberia Oil Producing Associations; Kogalymneftegas, Purneftegas, and Varyeganneftegas. These associations and the three benefitting from yesterday's loan together account for a third of Russia's oil production.

Yesterday's loan is for 17 years, with five years of grace, at the Bank's standard variable interest rate, currently 7.27 percent. The funds will be onlent to the beneficiaries. The loan completes the Bank's Fiscal Year 1994 lending program for Russia, bringing the year's commitments to Russia to \$1.5 billion for six operations. □

Bank Appoints First Resident Representative to its London Office

Geoffrey Lamb, a public management expert in the World Bank's Europe and Central Asia region, is to be the Bank's first Resident Representative in its London office. He will be responsible for the Bank's external affairs program in the United Kingdom and Ireland. While there has been a Bank office in London since 1956, external affairs have been managed by the Paris office. Lamb's appointment is effective from July 1, 1994.

WASHINGTON PRESS ADVISORY

New Bank Handbook on Trade in Services

Service industries play a central role in both developed and developing economies and are gaining importance in world trade.

To assist policy makers in developing countries, the World Bank, in collaboration with the United Nations Conference on Trade and Development (UNCTAD), has produced a new handbook: *Liberalizing International Transactions in Services*.

Journalists are invited to a press briefing on the handbook and the gen-

eral subject of trade in services. The briefing will be Friday, July 1 at 11:00 in the World Bank Auditorium, 701 18th St. NW. Leading the discussion will be L. Alan Winters and Carlos Braga of the Bank's International Trade Division, and Thierry Noyelle, UNCTAD.

The handbook and remarks at the briefing are under embargo until 4 p.m. Monday, July 4.

For more information, contact Bill Brannigan at (202) 473-1784.

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PUBLICATIONS

Bright Future Seen For Emerging Stock Markets

Developing country stock markets have grown rapidly in recent years as liberalization and economic expansion have attracted international investors. But last year, helped by a record performance, these emerging markets came into their own as capital raisers and underline the increasing importance of developing countries in the world economy, says a book produced by the International Finance Corporation.

An emerging market is simply a stock market in a country with a 1992 per capita income of \$8,355 or less. According to the book, the *Emerging Stock Markets Factbook 1994*, emerging markets were easily the fastest growing in 1994, measured by the increase in the dollar value of their indexes. The IFC Global Composite Index, which tracks the most active stocks in most emerging markets, rose by 64 per cent.

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LENDING

China To Launch Enterprise And Social Sector Reforms

China's remarkable economic success in recent years has depended largely on shifting the balance between public and private sectors. The economy has boomed as China has moved control from the central to local governments, from governments to enterprises, from state plans to market mechanisms.

But in a key area of the economy that needs reform—the state-owned and large collective industries that account for 90 percent of urban employment—the public and private are hard to separate: typically, a worker's boss is also her landlord, her health care provider and her pension holder. Those bonds mean more than 100 million workers can't change jobs without risking their houses or social security, and businesses often can't afford to start up or become more efficient.

China wants to restructure those enterprises, a third of which are drains on the public budget. But "you can't restructure the inefficient ones if you don't know how people will get their housing

and health care," says Sonsu Choi, a senior economist in the Bank's China department.

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Making welfare portable.

The Kyrgyz Republic will sew up some gaps in its social safety net.

World Bank lending commitments for FY1994 detailed.

Bank puts out special package of 50th anniversary materials.

A Bank, U.N. handbook guides the way to trade in services.

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Pilot Projects Planned In Four Chinese Cities

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Now the government has a plan to sever some of the bonds that restrict both workers and enterprises. The pilot project, backed by a \$275 million Bank

loan and a \$75 million IDA credit, will establish commercial housing markets in four cities, and pool health and social security benefits to follow workers from job to job. Under the plan, business will drop hous-

ing benefits, but increase salaries. Higher wages and new financing programs will give workers the chance to buy or rent homes independent of their employer.

"The current wage is a pittance, pocket money," says Choi. "Instead they will get a reasonable wage to buy or rent

housing of their own. Employees will have more equity and more freedom all around."

And the industries will benefit from a more mobile labor pool, a more flexible pay structure and reduced expenses, especially for start up companies. "An enterprise that now wants to set up shop, can't," says Choi, "because it costs too much to buy houses before hiring the first workers."

The pilot projects will be in four reform-minded cities of different sizes: Beijing, Chengdu, Ningbo and Yantai. In each city, the projects will introduce the basic components of a commercial housing market:

- autonomous, for-profit companies providing housing for consumers (they will take over housing now owned by enterprises).
- rents that cover housing costs.
- cash wage increases to compensate for higher rents.
- market-based housing finance to provide long-term mortgage loans for renters and builders.

• policy reforms to guide commercial housing management and finance institutions.

Most of the Bank financing will be used as seed money in establishing a workable mortgage system.

The funds will finance about half of each eligible home loan made by competing banks.

Like housing but on a smaller scale, social security benefits provided by the industries also hobble workers.

"If you leave an enterprise, you risk losing your accumulated pension and your health care," says Choi. "We're making it less enterprise-specific, more portable."

Instead of being tied to a particular enterprise, employers and workers will pay their health care, pension and unemployment contributions into independently managed pools, which will in turn provide benefits to the workers. If workers leave to take better jobs, their benefits will remain intact and follow them.



Songsu Choi

Emerging Market Capitalization Topped \$1 Trillion

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Poland led the way, with its market soaring by 720 percent. Turkey followed, up almost 214 percent, and Zimbabwe's market rose by 122 percent to take third place. By contrast, the United States was the sixty-first fastest rising market, up by 7 percent.

The capitalization of emerging market stocks topped \$1 trillion in 1993, accounting for 12 percent of the value of world stock markets, the book says. The companies listed in these markets made up 44 percent of all companies on the world's exchanges.

A record number of new share issues helped to attract investors, who on one estimate placed a record of about \$37 bil-

lion in emerging markets during 1993. American investors made net purchases of about \$13.6 billion in emerging markets, around a fifth of their net purchases of foreign equities in 1993.

The book, which is the eighth edition in an annual series and contains detailed statistics on the world's emerging markets, cites three reasons for emerging markets becoming established as a separate asset class: the size of emerging markets; the size and performance of their underlying economies which now constitute about a fifth of world output; and their stellar performance.

Noting that in early 1994 many developing markets fell back, the book says: "This correction process tends to be

healthy for the development of markets because it leads to more realistic valuations and encourages long-term investment perspectives."

The book looks forward to new frontier markets in Eastern Europe, Central America, Africa and the Middle East, and adds that the long-term trend towards investment in emerging markets is firmly established.

"The future remains bright for emerging markets," the book says.

Journalists may obtain a complimentary copy of the *Emerging Stock Markets Factbook 1994* by contacting Roderick Grant, at the International Finance Corporation, Corporate Relations Unit, telephone: (202) 473-3397, or fax (202) 676-0365.

Kyrgyz Republic Strengthens Social Safety Net

The Kyrgyz Republic emerged from the former Soviet Union with an economy badly weakened. The orders from Moscow—largely for military hardware—that kept most of its large factories busy suddenly stopped. Urban workers were idled, and rural collective farmers lost most of their crucial supplies from the crippled central government.



Bo Dahlborg

The Republic, under a strong reform program, is moving to restructure its distorted economy and the country has potential to grow in new sectors, such as tourism and fruit and vegetable production. But until the reforms begin to bite and the economy begins to stir, the Kyrgyz Republic's poorest citizens are at risk. The growing number of unemployed or barely employed people face high inflation and collapsing living standards at a time when the government is least able to help with social services.

"It's a problem of falling production and a collapsing public sector resulting in less income for the people and less tax revenue for the government," says Bo Dahlborg, a senior training specialist in the Bank's Europe and Central Asia Department. "It's tough in all areas of the country. The resources that remain need to be used more effectively."

The Kyrgyz Republic asked the International Development Association (IDA) for help in strengthening its social safety net, and IDA this week approved a credit of SDR 12 million (\$17 million).

The project will build on the ability of government agencies—during the transition and after—to locate poor and unemployed people and help them with direct assistance, job counseling and training.

The need is great. Poverty in the mountainous Central Asian country—at 35 percent in 1992—has been climbing in the last two years. The economy—deprived of orders and support from the Soviet government and burdened with obsolete factories—contracted about 40 percent from 1991 to 1993, slashing incomes and pushing workers out of their jobs. Many of them linger on vague leave status indefinitely and without pay, making it hard to identify them as jobless.

"A lot of people are effectively unemployed, whether they are officially unemployed or not," says Dahlborg, task manager for the project.

Under the program, government agencies will get equipment and technical help to set up new, means-based systems to identify people with the greatest need.

The targeted assistance will include cash and in-kind benefits, unemployment benefits and worker retraining in key skill areas demanded by the market economy.

The project will also set up poverty and unemployment monitoring systems, and help the agencies formulate the best safety net policies to protect those most at risk.

"Targeting the poorest is very important," says Dahlborg.

Bank Lent \$20.8 Billion In FY94

New lending commitments by the World Bank totaled \$20.8 billion in the fiscal year 1994, which ended on June 30. This compares with \$23.7 billion in FY93 and \$21.7 billion in FY92.

Of the total for FY94, the International Bank for Reconstruction and Development, which lends at near-market rates, committed \$14.2 billion for 124 projects. The International Development Association, which makes interest-free loans over long periods, committed \$6.6 billion for 104 projects.

The comparable figures for FY93 were \$16.9 billion for 122 IBRD projects and \$6.8 billion for 123 IDA projects.

FY94 gross disbursements -- the amount paid out as distinct from agreed upon -- totaled \$15.9 billion for IBRD and IDA, against \$18 billion in FY93. IBRD gross disbursements were \$10.4 billion, compared with \$13 billion in FY93; IDA gross disbursements came to \$5.5 billion, against \$5 billion.

Several factors contributed to the overall decline in FY94. Individual country circumstances cause lending to vary each year. The availability of private capital rose sharply in 1993, when

private flows to developing countries reached \$175 billion. This reduced the demand for adjustment support.

The Bank also used cofinancing to catalyze private sector funding, and the recent replenishment of regional development banks made more funds available from them.

Commenting on the outcome, Lewis T. Preston, the Bank's president, said: "The Bank is improving the quality of operations at entry, simplifying and streamlining business procedures, and scrutinizing the development impact of its operations through enhanced supervision. I am confident that this year's loan commitments respond well to the needs of our borrowing member countries."

Preston added: "The increase in lending for the social sectors and the environment continues recent trends and reflects the growing consensus in our borrowing member countries on the fundamental importance of these areas. The reduction in adjustment lending, along with continued progress to more market-friendly economic management, is a

See LENDING, page 6

Bank Publishes Anniversary Package

This month, the World Bank commemorates the anniversary of its founding 50 years ago.

As part of that observance, the Bank has put together a package of materials to help journalists and others trace the institution's path over its first half century.

The collection—an archive in brief—comprises eight packets of material gathered to show how the World Bank Group does its work around the world, what it has meant to the lives of people and to the strength of countries and, finally, how others have viewed it across the years.

"The 50th anniversary of the founding of the World Bank offers a useful opportunity to reflect on the achievements and lessons of a development experience," says Bank President Lewis Preston. "The information in this collection of papers highlights some of that experience."

Ranging from two pages to 50, the packets include:

- *The World Bank at a Glance* and *Questions About the World Bank* are basic primers on the Bank Group's work and structure.

- *Working With NGOs* describes how the Bank collaborates with non-governmental organizations and other groups working to reduce poverty and promote sustainable development. In 1993, nearly a third of Bank projects involved NGOs.

- *Five Decades of Development: 100 Examples of the World Bank in Action* chronicles the vast range of the Bank's work around the world, from fighting malnutrition in Madagascar to building roads in Vietnam to cleaning up the Danube River.

- *Making a Difference in People's Lives* details some of the human achievements of Bank-supported projects, including

the near elimination of river blindness in Burkina Faso and teaching thousands of Indonesian women to read.

- *The Graduates* celebrates the several countries that no longer need the Bank as a "lender of last resort." Countries such as Australia, Japan

and Spain were once Bank borrowers.

And the growing economies of Botswana, Chile and Costa Rica mean they no longer must borrow at the concessional terms available to the poorest countries by the International Development Association

- *As Others See Us... Editorials* samples the public discussion about the Bank as it has been conducted on editorial pages since 1945.

- *As Others See Us... Testimonials* offers the views of world statesmen and other public figures as they have spoken about the Bank and its work.

To receive a copy of the 50th anniversary materials, contact Lesley Simmons at (202) 473-1785, or Shantal Persaud at (202) 473-1818.



Practical Trade Guide For Policy Makers

Service industries are increasingly reaching across national borders. In sectors ranging from finance and construction to telecommunications and transportation, services are growing as a portion of all international trade. In 1993, world trade in services totaled about \$1 trillion, 22 percent of all trade.

And the trend includes developing countries, where services usually make up the single largest economic sector and which are increasingly allowing foreign firms to operate in their banking, phone and power industries, among many others. Recognizing the importance of services to emerging economies, 60 developing countries have made liberalization offers through the General Agreement on Trade in Services of the Uruguay Round.

To help developing countries free up this important trade into and out of their economies, the World Bank and the United Nations Conference on Trade and Development have prepared *Liberalizing International Transactions in Services: A Handbook*.

The publication serves as a practical guide to policy makers as they formulate the regulatory framework needed to lower barriers to international trade in services.

Unlike trade in goods, analysis of trade in services is limited. Perhaps for the first time, the handbook presents a comprehensive list of the instruments governments can use to influence international service transactions.

Each chapter of the book examines the advantages and disadvantages of individual policy instruments to answer questions about when and how the best trade liberalization program can be established.

For more information on *Liberalizing International Transactions in Services*, or to order a copy, contact United Nations Publications in New York at (212) 963-8302, or fax, (212) 963-3062.

DEVELOPMENT AGENDA

Date	Event	Sponsor	Location	Telephone
JULY				
7-8	Indonesia Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
8-9	G-7 Summit		Naples, Italy	
11	Uzbekistan Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
12-14	GEF Council Meeting	GEF	Washington	(202)473-5102*
18-19	Uganda Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
21-22	Philippines Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
21-22	50th Anniversary Conference of the Bretton Woods Institutions	US State Department	Washington	(202)473-1789*
AUGUST				
7-12	10th International Conference AIDS	Congress Corporation	Yokohama	(81-3) 3466-5812
22-26	Environment and Quality of Life in Central Europe: Problems of Transition	Int'l Geographic Union Regional Conference	Prague	(42-2) 203608
SEPTEMBER				
5-13	International Conference on Population and Development	United Nations	Cairo	(202)297-5000*
7-9	U.S. - Africa Telecoms and Broadcasting Conference	Africa Communications Magazine	Washington	(202)667-2111*
19-21	Second Annual Conference on Environmentally Sustainable Development	World Bank	Washington	(202)473-5690*

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

WEEKLY LENDING ROUNDUP

BELIZE

Belize will combine the five major load centers of its power system—now isolated—into a more efficient integrated national grid with help from a \$11.5 million World Bank loan. In addition, the project will allow Belize to tap into cheaper electricity available from nearby Mexico. The program also seeks to promote greater private sector involvement in the power sector.

GEORGIA

A credit of SDR 7.3 million (\$10.1 million) from IDA will help Georgia build stronger institutions in three critical areas. In the financial sector, the program will introduce higher accounting and auditing standards and study the workings of state-owned banks and the existing payment system. Improvement in economic management will include policy reforms, modernized tax and customs administration and streamlined treasury operations. And the project will help Georgia expand its privatization program.

PARAGUAY

Two World Bank loans totalling \$50 million will partly finance a plan by Paraguay to stimulate greater private sector activity in the country, especially in the export sector. The program will make medium- and long-term loans to a wide range of borrowers for investments and technical assistance, and will continue to strengthen bank regulation.

Private Capital Cuts Need For Loans

LENDING, from page 3

welcome sign of the strengthened access to private sources of capital and a renewal of investment in infrastructure and human resource development."

Looked at by region, new commitments to Africa in FY94 were \$2.8 billion, the same as in the previous fiscal year. Of the 60 projects for which commitments were made in FY94, 24 were related to Francophone countries, where the CFA franc was devalued.

Commitments to East Asia and the Pacific went up to \$6 billion from \$5.6 billion. The focus was on sustainable and social development, and on eliminating infrastructure bottlenecks.

Inflows of private capital and deferral of several sectoral reform investment operations largely explained the decline in commitments to South Asia from \$3.4 billion in FY93 to \$2.4 billion. The decline in adjustment lending to Latin America and the Caribbean, and a renewed emphasis on infrastructure, contributed to the fall in commitments from \$5.8 billion to \$4.7 billion.

At \$3.5 billion, commitments to Europe and Central Asia were almost the same of the \$3.7 billion recorded in FY93. Reduced lending to Algeria and Egypt depressed commitments to the Middle East and North Africa region to \$1.2 billion in FY94 from \$1.8 billion.

MEETINGS

India Gets Praise And Pledges

India received a vote of confidence last week when participants in the India Development Forum indicated that they will provide about \$6 billion in assistance for the year ahead.

The Forum met in Paris on June 30 - July 1. Delegates observed that in three years India had been successful in overcoming a serious economic crisis and implementing a comprehensive structural reform program while maintaining growth of about 4 percent a year.

In a departure, the Forum's second day was devoted to meetings of businessmen from India and investor countries, as well as officials. They noted the country's growth potential, but emphasized the need to improve India's capacity to absorb foreign investment and to ease restraints on investment.

Notice to Journalists:

Geoffrey Lamb, the newly appointed resident representative of the World Bank in the United Kingdom, expects to take up his functions full-time in the Bank's London office in late August or early September, although he will be in that office for much of July as well.

Lamb's appointment as the Bank's first resident representative in the U.K. was announced on June 29. Reporting to the Director of the Bank's European Office in Paris, he will have responsibility for the Bank's external affairs in both the U.K. and Ireland.

The London Office telephone number is (071) 930-8511. The fax number is 930-8515.

WORLD BANK NEWS

Michael Prest, Editor
Cynthia Delgadillo, Production Assistant
Steve Hendrix, Reporter

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WORLD BANK NEWS



Volume XIII, No. 28

July 14, 1994

LENDING

Fields and Streams: Irrigation Answers Farmers' Prayers

Of all the ingredients needed to grow a successful crop—seed, soil, sun and water—it is usually water that confounds farmers the most. Growers around the world, even those with the best equipment and the latest techniques, share the frustration of always wishing for more—or less—rain on their fields.

"You can truck in seed, you can truck in fertilizer, and sunshine doesn't usually vary that much from year to year," says Mark Cackler of the Bank's Mexican agriculture division. "Water is the one that's most vulnerable to fluctuations in availability."

Thus, farmers for centuries have worked to gain more control over that most fickle of agricultural elements, with great payoffs for their efforts. Bet-

ter irrigation means higher yields, and in developing countries—where agriculture is often the keystone of the whole economy—higher productivity can mean the difference between hunger and prosperity.

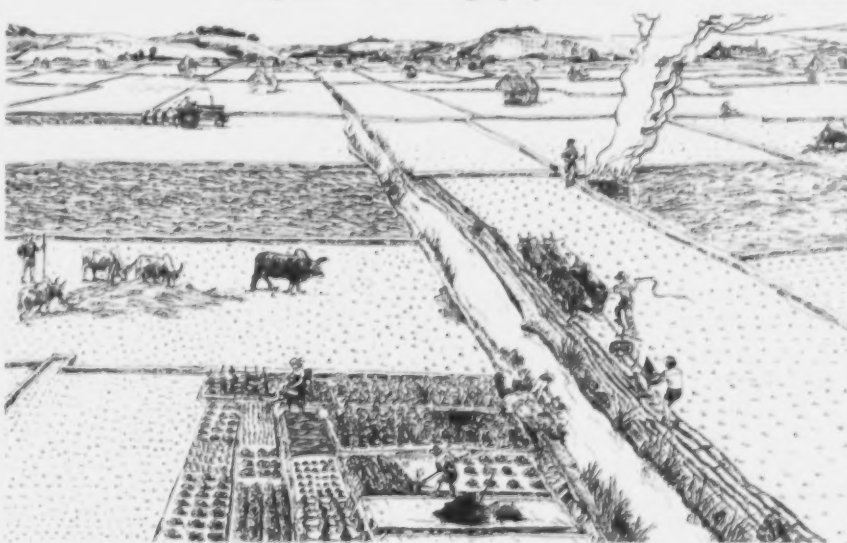
The Bank has long recognized the importance of irrigation to development. Irrigation and drainage projects have

cumulatively accounted for more than a quarter of all Bank agricultural lending, totaling more than \$10.5 billion by the end of 1993. Two projects approved this week will extend vital irrigation to poor areas of Mexico and Madagascar. The first, an \$85 million Bank loan, will introduce small-scale irrigation to more farms in southern Mexico that now de-

pend exclusively on rainfall.

The other, a credit of SDR 15 million (\$21 million) to Madagascar from the International Development Association, will rehabilitate parts of the country's irrigation works, including some damaged by recent cyclones.

The benefits of irrigation ripple through the whole agricultural sector, nurturing not only the plants in the field, but boosting re-



An artist's look at rice and vegetable irrigation in Madagascar.

See *Irrigation*, page 2

INSIDE

Bank report urges greater private role in higher education.

2

Key environmental posts are filled.

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Donor countries pledge support to Indonesia and Georgia.

4

Development agenda, page 3

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Lending roundup, page 4

■
New member country, page 4

Bank Report Recommends Higher Education Reforms

Higher education depends heavily on public funding in most countries. But as budgets shrink and populations expand, governments face the challenge of doing more with less in their colleges and universities.

The crisis in higher education is particularly acute in developing countries, and fundamental reforms are needed in many of them, a new World Bank report says. Better policies—especially expanding private higher education—are needed to meet the crisis, according to the report, *Higher Education: The Lessons of Experience*.

Relentless fiscal strains and higher enrollment pressures have driven down per-student spending in poorer countries, in many of them prompting a sharp drop in the quality of teaching and research.

In these countries, college classrooms and labs are often overcrowded and deteriorating. Graduate unemployment rose sharply during the 1980s and continues to rise. Women, while making gains, remain sorely underrepresented on the college rolls of many countries.

With the need so great and the money so scarce, governments have to boost the efficiency, quality and equity of their public investments in higher education, the report says.

Drawing on the Bank's research and wide experience in higher education around the world, the study focuses on four main areas of reform:

- **Greater differentiation.** Non-university schools such as polytechnics, professional and technical institutes and community colleges can help meet the growing demand for higher education. Private institutions especially can increase educational opportunities at little or no additional public costs.

- **Diversified funding.** Student cost-sharing, contributions from alumni and industry and income from research and consultancy services can be important private supplements to public budgets.

- **A redefined role for government.** Rather than direct control, governments can concentrate on providing the most enabling policy environment and incentives for more autonomous public institutions.

- **A focus on quality, responsiveness and equity.** Well-trained and motivated teachers and prepared students are es-

sential. Post-secondary education should respond to the needs of the productive sectors.

And education at all levels should be equally accessible to all students—including women and students with low incomes.

Journalists may obtain a complimentary copy of the report, *Higher Education: The Lessons of Experience*, by contacting Klas Bergman at Room S-13-109, The World Bank, 1818 H St. NW, Washington, D.C. 20433. Telephone (202) 473-3798, fax (202) 477-0848. □

Harnessing Water For Farms in Mexico and Madagascar

Irrigation, from page 1

search and extension and even leading to greater farm investment.

Mexico

In the poor southern states of Mexico, thousands of small farms have no irrigation at all. Some of the land is not suitable for irrigation because of geology, environmental concerns or economics. But other parts would greatly benefit from water control systems. The new project will help farmers on both types of land.

Where possible, the project will help provide small-scale irrigation works targeted to farms of fewer than 10 hectares. And all farmers in the project areas will have access to expanded extension services that will introduce new technologies and new crops, including some to replace corn.

Rainfed corn—a commodity that in the past has been heavily protected by the Mexican government—has traditionally been the main crop in the region. But new free trade agreements and domestic price liberalizations will hurt corn growers in marginal regions, which typically get less than 1,000 mm of rain a year. The project seeks to supply farmers with irrigation for new crop options that will flourish under freer trade. Better soil conservation, which is needed to realize all the benefits of better irrigation, will also be a key part of the project.

Madagascar

Agriculture drives Madagascar's economy, providing more than 80 percent of employment and a third of the country's gross domestic product in 1993. In turn, irrigation contributes about 70 percent of farm production. About half the farmland—more than a million hectares—is irrigated or is suitable for irrigation, but the systems are dominated by inefficient, centrally managed programs, many of which are falling into disrepair. Two cyclones struck the island early this year, causing further damage to the irrigation infrastructure.

The project will provide much-needed initial repairs, strengthen the environmental protections of each system, and offer ways to get individual farmers more involved in operating and maintaining the systems through Water Users Associations. As the new associations take over more responsibility, the project will work with them to rehabilitate more systems.

And the project will take advantage of farmers' increased involvement to teach them about other agricultural advancements, especially new ways to work rice fields.

"With better water management plus new techniques, farmers can expect to see really impressive increases in yields," says Christopher Trapman, a senior agricultural economist in the Bank's Africa region and the task manager for the project. □

DEVELOPMENT AGENDA

Date	Event	Sponsor	Location	Telephone
JULY				
12-14	GEF Council Meeting	GEF	Washington	(202)473-5102*
18-19	Uganda Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
20	Kenya Informal Donors' Meeting	World Bank	Paris	(33-1)4069-3016
21-22	Philippines Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
21-22	50th Anniversary Conference of the Bretton Woods Institutions	US State Department	Washington	(202)473-1789*
AUGUST				
7-12	10th International Conference on AIDS	Congress Corporation	Yokohama	(81-3)3466-5812
22-26	Environment and Quality of Life in Central Europe: Problems of Transition	Int'l Geographic Union Regional Conference	Prague	(42-2) 203608
SEPTEMBER				
5-13	International Conference on Population and Development	United Nations	Cairo	(202)297-5000*
7-9	U.S. - Africa Telecoms and Broadcasting Conference	Africa Communications Magazine	Washington	(202)667-2111*
7-9	West Bank and Gaza Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
19-21	Second Annual Conference On Environmentally Sustainable Development	World Bank	Washington	(202)473-5690*
22-23	Madagascar Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016

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WEEKLY LENDING ROUNDUP

GABON

Gabon, as part of its overall strategy to improve its crucial transportation sector, will use a \$5.2 million World Bank loan to strengthen management in the sector and prepare investment and restructuring plans. The project will provide management training, studies and technical assistance to transport ministries and agencies. The project also aims to improve urban development and infrastructure planning with a pilot project of labor-based civil works.

MEETINGS

Indonesia, Georgia Donors Meet In Paris

International donors pledged \$5.2 billion in development assistance to Indonesia for the coming year. The Donors Group for Indonesia, meeting in Paris July 7-8, offered the funding for the country's efforts in human resource development and poverty reduction, infrastructure and environmental protection.

Delegates from donor countries and multilateral agencies reviewed Indonesia's strong economic performance and sound macroeconomic management. Poverty has fallen to 14 percent of the population, down from 60 percent in 1970.

For its part, the government committed to further reduce poverty and regional disparities and to strengthen its policies on environmental protection.

Paris was also the site of an informal donors' meeting for Georgia, held July 12. During this assembly, the Georgia delegation, led by Prime Minister Otar Patsatsia, and donor country representatives discussed Georgia's economic reform program, external financing and technical assistance priorities. □

El-Ashry And Steer Assume New Environmental Posts

The Council of the Global Environment Facility (GEF) has appointed Mohamed El-Ashry its first Chief Executive Officer and Chairman.

As CEO, El-Ashry will preside on a full-time basis over a newly-created independent Secretariat based in Washington. El-Ashry, a U.S. national, comes to the GEF from

the World Bank, where he had been Director of the Environment Department since 1991. He also served as Senior Environmental Adviser to the United Nations Development Programme, and as Special Adviser to the Secretary General of the 1992 U.N. Conference on Environment and Development.

The GEF provides grants and concessional funding to developing countries for environmental changes.

Andrew Steer is the new Director of the World Bank's Environment Department. Steer, who has been widely published on environmental and sustainable development issues, replaces Mohamed T. El-Ashry, who was appointed Chief Executive Officer and Chairman of the Global Environment Facility.

Steer, a British national, joined the Bank in 1978, worked in the Bank's Resident Mission in Indonesia from 1980 to 1984, and led the 1985 *World Development Report* team.

He has worked in Africa and Asia, and was the Bank's Principal Economist on Bangladesh.

In 1992, he was appointed Staff Director of the 1992 *World Development Report* (Development and the Environment).



Mohamed El-Ashry



Andrew Steer

Eritrea Joins Bank Group

Eritrea joined the World Bank on July 6, becoming the 178th member country of the International Bank for Reconstruction and Development, and the 157th member of the International Development Association. □

WORLD BANK NEWS

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WORLD BANK NEWS

Volume XIII, No. 29

July 21, 1994

Bank Unveils Its Vision Of Development and Change

50th ANNIVERSARY

As the World Bank observes the 50th anniversary of its founding, Lewis T. Preston, the Bank's president, Tuesday released a special report to chart the Bank's course through

the changing challenges of the post-Cold War world.

The report, *The World Bank Group: Learning from the Past, Embracing the Future*, says the Bank, working with its partners and developing countries, will boost its efforts to meet fundamental development objectives such as universal primary education, access to basic health care and the elimination of malnutrition within the next generation.

As the world changes, "the Bank has to change," says Preston.

"The world has been transformed since the historic 1944 conference at Bretton Woods, New Hampshire (which led to the Bank's creation)," he says, noting in particular the accelerating pace of economic, political and technological change in the post Cold-War period. "The Bank is proud to have played a part in the remarkable development progress achieved since Bretton Woods, but new emphases and fresh approaches are needed as we confront the challenges now before us. This report constitutes

our vision of the Bank's future directions, based on a realistic appraisal of the needs, a self-critical examination, and a careful assessment of how we must change to serve our member governments and their peoples."

Enormous challenges remain: more than a billion people in the developing world struggle to survive on less than a dollar a day; two out of every five people do not have basic sanitation or clean water; and 100 million children have no access to even primary education.

The report summarizes five major challenges that will dominate the development agenda and shape the Bank's future work. They are: pursuing economic reforms; investing in people through better education, health care, nutrition and family planning; protecting the environment; stimulating the private sector; and reorienting government.

To guide the Bank in responding to this development agenda, the report sets

See VISION, page 2



Lewis Preston at launch of Vision Statement.

Excerpts from the vision statement.

50 years of the World Bank.

World Bank Timeline.

Scenes from Bretton Woods.

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Consultative meeting, page 8

Press advisory, page 8

Setting Out Principles For Progress

VISION, from page 1

forth six principles (see excerpts from the report below):

Selectivity - identifying the strategic interventions through which the Bank can maximize its own impact and help catalyze the maximum potential of others;

Partnership - seeking out alliances and effective relationships with other mem-

bers of the international community—multilateral, bilateral, governmental, non-governmental and private;

Client-orientation - responding more effectively to the needs of clients and facilitating their participation in the design and implementation of Bank-supported programs;

Results-orientation - looking beyond lending, commitments and concentrating on maximizing development impact, better quality of service, greater efficiency and more accountability for performance;

Cost-effectiveness - ensuring that scarce development resources are spent wisely and efficiently by streamlining

bureaucratic processes and reducing paperwork;

Financial integrity - continue to accord the highest priority to financial prudence, because the institution's ability to provide resources and the best possible service to its clients ultimately rests on its high standing in the financial markets.

Journalists may obtain a complimentary copy of *The World Bank Group: Learning from the Past, Embracing the Future* by contacting Klas Bergman at (202) 473-3798, or by writing on company letterhead to World Bank, Rm. S-13-119, 1818 H St., N.W., Washington, D.C. 20433. □

From The Vision Statement...

The Bank report, *The World Bank Group: Learning from the Past, Embracing the Future*, serves as a "vision statement" for the institution as it faces the new challenges of the post Cold-War era. To guide the Bank's work of helping borrowers reduce poverty and improve living standards through sustainable growth and investment in people, the report sets forth six principles. Here are excerpts from the report:

Selectivity

Given the diverse requirements of its nearly universal membership, the Bank Group will necessarily pursue the broad development agenda set out above. However, it will not attempt—and should not be expected—to pursue all aspects of this agenda in each of its borrowing countries. Instead, it will, in close consultation with its borrowers and other partners, identify the strategic activities where its involvement in support of market-oriented economic structures is likely to make the most impact.

Partnership

The Bank Group will work in partnership with borrowing governments and institutions to increase local involvement in the design, preparation, and supervision of activities it finances, as well as in its economic and social analysis. It will continue to work closely with bilateral development agencies in support of the development agenda of its borrowers.

In addition, the Bank Group will continue to pursue a mutually supportive relationship with IMF and will work closely with the new World Trade Organization, when it is established. The Bank Group will increase its close collaboration with the regional development banks, including mutual exchanges of economic and technical work, enhanced cofinancing, and an appropriate division of labor. It will work more closely with agencies of the United Nations family to improve coordination. It will deepen its partnerships with non-governmental organizations. It will also continue to cooperate with private investors

and market institutions in promoting viable corporations in borrowing countries, increasing capital flows to developing countries, and enhancing domestic capital markets.

Client Orientation

The Bank will tailor its country assistance programs to the highly differentiated needs of each of its borrowing countries and strive harder to bring its worldwide experience to bear on specific country issues.

Client orientation also means working harder to ensure that borrowers are strongly committed to the projects and programs the Bank supports and that those affected by them have participated in their design and implementation.

Results Orientation

The Bank will help countries to enhance their capacity to implement projects and programs, since the responsibility for successful implementation primarily

Continued on top of next page

rests with borrowing countries. Actions are already being taken to improve results in Bank-financed operations by focusing more on the performance of the project portfolio—and more will be done.

A key requirement for strengthening results is to encourage greater participation in the design and implementation of Bank Group-supported projects and programs by the people who are most affected by them. Toward this end, the Bank Group will do more to experiment with and introduce new approaches in participatory development, to identify practices that can be applied widely in its operations, and to promote systematic use of approaches that work.

Cost Effectiveness

Cost effectiveness implies further efforts to contain costs, enhance efficiency, reduce paper flow, improve coordination, simplify business processes, contract out certain activities and drop others that are now obsolete or ineffective, and restructure internal incentives to emphasize quality. The watchwords are better, faster, and cheaper.

Financial Integrity

The Bank Group will continue to combine its high credit rating with its financial intermediation role. IBRD and IFC raise substantial sums of money in world capital markets on the best terms. Their standing in capital markets comes in part from shareholder guarantees, but for the most part is has been earned by prudent financial management. With relatively low volumes of paid-in capital, the IBRD is able to greatly leverage its funding for development. To ensure continued strong support from its shareholders, the Bank Group will conduct its business in a manner that allows for full transparency and accountability to them—and, through them, to other key groups interested in and affected by its activities.

A Call To Partnership

Fifty years of development experience have provided valuable lessons for the future. Those lessons, combined with

See EXCERPTS, page 8

A Pact Against Poverty For Half A Century

50th ANNIVERSARY

When the World Bank was born 50 years ago this week, World War II still raged. Although the tide favored the Allies, nobody was sure how or when the war would be won. Despite the uncertainty of victory, however, representatives of 44 nations arrived in the small resort of Bretton Woods, New Hampshire, to embark on an even more demanding enterprise: how to win the peace.

The United Nations Monetary and Financial Conference, better known as the Bretton Woods conference, lasted from July 1-22, 1944. Partly inspired by the famous British economist, John Maynard Keynes, who was an active participant, the conference was heavily influenced by bitter memories of what had followed the previous world war: the Great Depression and the rise of fascism, which had in turn caused another terrible global conflict.

How could the peace be won? How could jobs, and prosperity and confidence in the future be secured? The answer was daringly simple: to establish by agreement between nations arrangements which would ensure an open but orderly world trading system in which payments and capital flowed freely. Institutions would be needed to supply or help supply the capital and foreign currency necessary to aid reconstruction, meet countries' balance of payments needs, and promote development.

The conference agreed to set up two institutions: the International Monetary Fund, to oversee payments between countries, and the International Bank for Reconstruction and Development, to help finance reconstruction after the war and

to assist developing countries, quite a few of which were represented at the conference. The IBRD quickly became known as the World Bank, but the Articles of Agreement drawn up at Bretton Woods govern it to this day.

The Articles came into effect at the end of 1945 and the Bank opened its doors for business in 1946. That year saw the Bank's first loan—\$250 million to France. Indeed, for several years the Bank's borrowers were mainly European countries. The first developing country borrower was Chile which signed a loan for \$16 million in 1947. During the same year, the Bank also issued its first bonds, for a total of \$250 million. Japan was a heavy borrower from the Bank between 1953 and 1966.

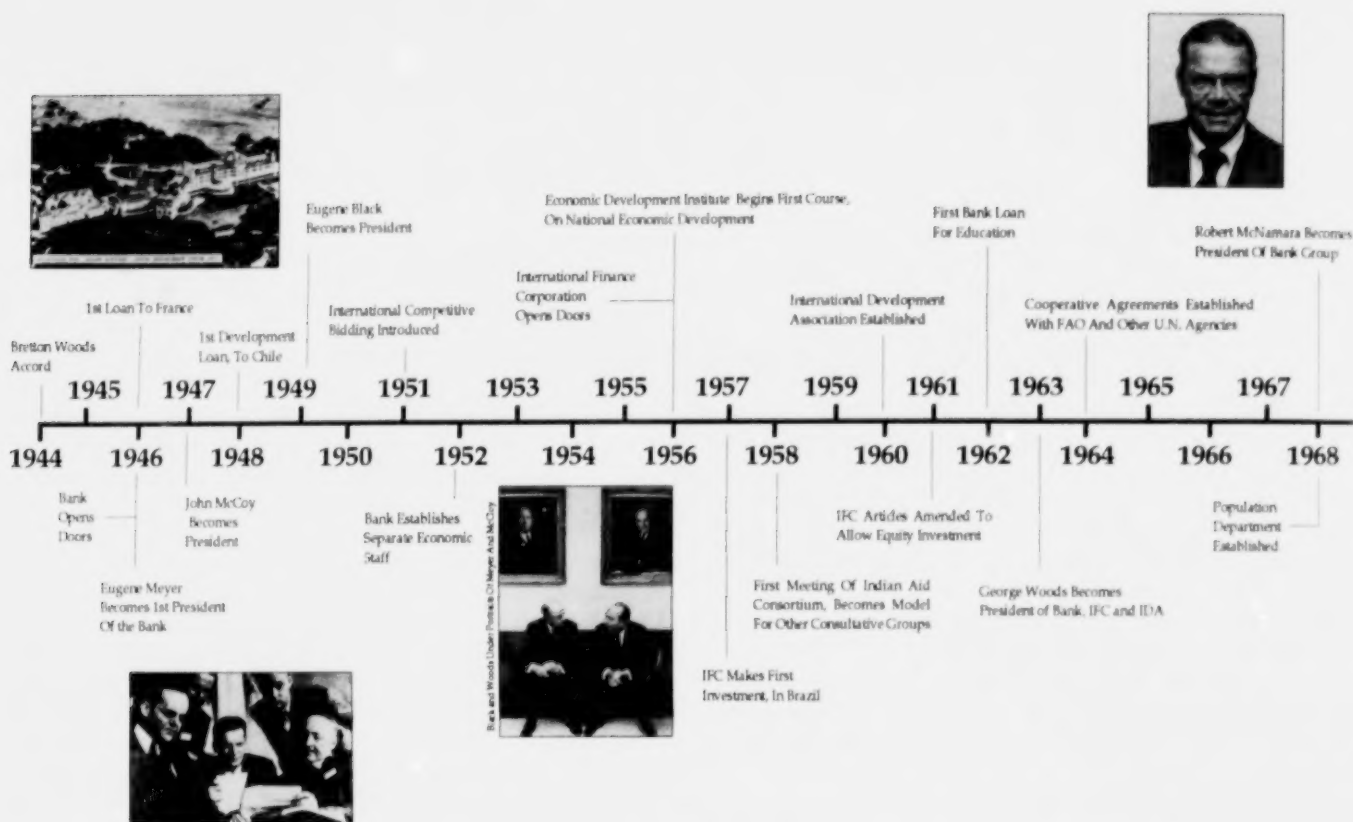
In 1947 the Bank had 45 members and an authorized capital of \$10 billion. Today, it has 178 members and an authorized capital of \$180 billion. The dramatic expansion in the intervening half century reflects the members' changing needs. Attention moved from Europe to developing countries as Marshall Aid financed European reconstruction and former colonies became independent.

The establishment of the International Finance Corporation in 1956 recognized the emphasis placed at Bretton Woods on the crucial role of the private sector in development. Four years later, the International Development Association was set up to tackle the emerging problem of countries which could not borrow on the near-market terms charged by the Bank itself.

At the same time, the scope of the Bank's activities grew beyond lending. It

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50TH ANNIVERSARY TIMELINE



Evolving With The Times And Responding

BRETTON WOODS, from page 3

mediated in the dispute between India and Pakistan over sharing the waters of the Indus River. It founded the Economic Development Institute, within the Bank, to train developing country officials. Economic advice and technical assistance became increasingly important in the Bank's work.

The 1970s were a decade of rapid growth for the Bank. Loan and credit

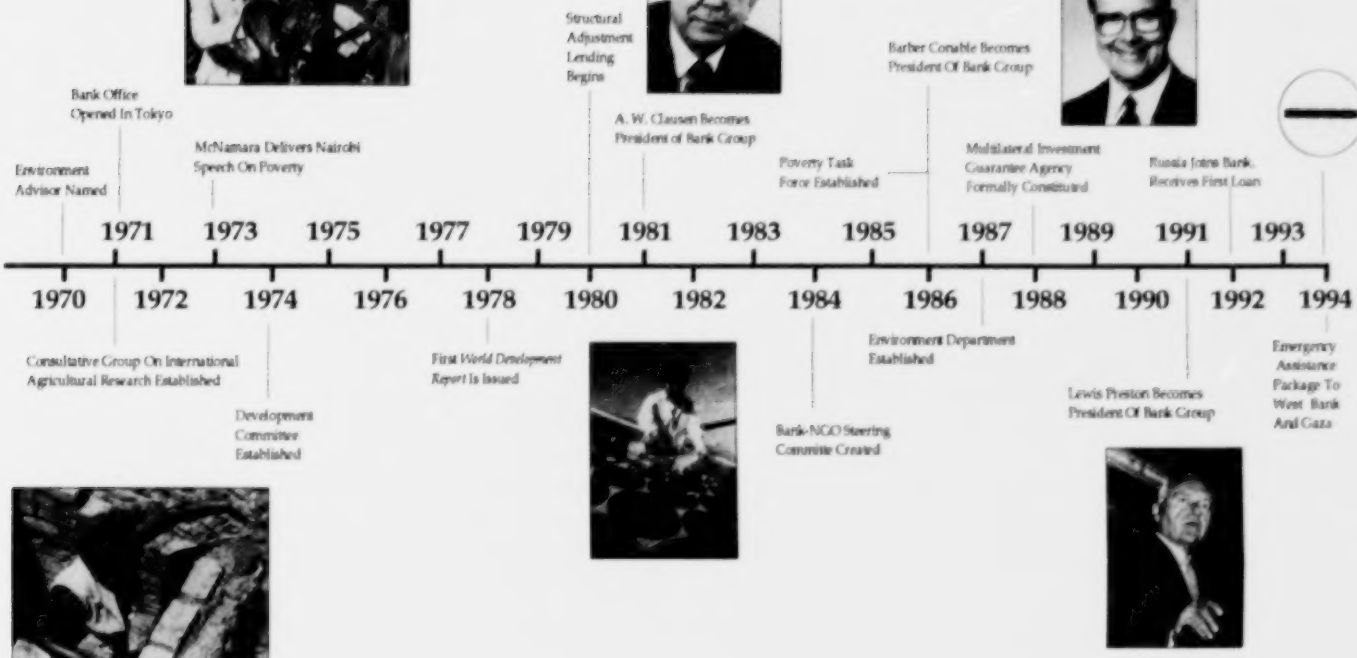
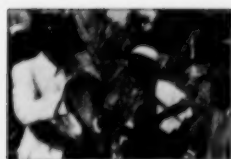
commitments by the Bank and IDA jumped from \$2.29 billion in 1970 to \$11.5 billion in 1980, cementing the Bank's reputation as a first class borrower and one of the main actors in international financial markets.

But whereas much previous lending had been for infrastructure, the importance of social sector lending and advice—for education, health, population and nutrition—grew in the 1970s and laid the foundations for one of the Bank's principle policies: investing in people. During the 1970s the Bank helped to finance the Green Revolution, which led to food

production outstripping population growth.

Commitments almost doubled in the 1980s, a slower if still vigorous rate of expansion, and the Bank's work became increasingly complex. New challenges arose: resolving the debt crisis, helping countries with economic reforms to adjust to an ever more competitive world, protecting the environment.

Policy advice became central to the Bank's work. East Asia emerged as a new growth pole in the world economy, led by borrowers from the Bank such as Indonesia, Korea, Malaysia and Thailand.



To Meet Development's Global Needs

More recently, China and India, which are among the Bank's biggest borrowers, have followed suit, and Latin America has rebounded from the setbacks of the 1980s.

The start of the Multilateral Investment Guarantee Agency in 1988 echoed one of the original purposes seen for the Bank in 1944—the insurance and guarantee of private investment in developing countries—and came on the eve of a rapid expansion of private flows.

A new role for the Bank in the 1990s arose with the dissolution of the Soviet Union in 1991: helping integrate into the

world economy countries making the difficult transition from central-planning to the market. Again, the role has roots in Bretton Woods. The Soviet Union attended the conference but did not join the Bank and IMF until 1992.

By the same token, helping the economies in transition vindicates the central Bretton Woods vision of a truly global, liberal economic order. The Bank's recent assistance to invest in peace in Gaza and the West Bank equally recalls the original mandate from the international community.

Despite the internal and external

changes, a constant theme has inspired the Bank's work over the past half century: reducing poverty. During that time, the Bank has lent more than \$300 billion to more 140 countries for more than 6,000 projects.

On average, developing countries have raised their living standards faster over the past generation than during any comparable period in history. Significant parts of the Bretton Woods vision have been fulfilled. But the struggle against poverty continues and it remains the Bank's mission. □

BRETTON WOODS INSTITUTIONS' 50TH ANNIVERSARY

50TH ANNIVERSARY



Mt. Washington Hotel, Bretton Woods, in 1944.



Lord Keynes addressing Conference meeting



U.S. Treasury Secretary Henry Morganthau, Jr. speaking at the conference.



Participants relax at Bretton Woods.

DEVELOPMENT AGENDA

Date	Event	Sponsor	Location	Telephone
JULY				
21-22	Philippines Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
21-22	50th Anniversary Conference of the Bretton Woods Institutions	Bretton Woods Committee	Washington	(202)331-1616*
AUGUST				
7-12	10th International Conference on AIDS	Congress Corporation	Yokohama	(81-3)3466-5812
22-26	Environment and Quality of Life in Central Europe: Problems of Transition	Int'l Geographic Union Regional Conference	Prague	(42-2) 203608
SEPTEMBER				
5-13	International Conference on Population and Development	United Nations	Cairo	(202)297-5000*
7-9	West Bank and Gaza Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
7-9	U.S. - Africa Telecoms and Broadcasting Conference	Africa Communications Magazine	Washington	(202)667-2111*
19-21	Second Annual Conference on Environmentally Sustainable Development	World Bank	Washington	(202)473-5690*
22-23	Madagascar Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
29-30	Meeting of Deputies Group of 24	World Bank/International Monetary Fund	Madrid	(202)473-1784*
OCTOBER				
1	Meeting of Ministers	Group of 24	Madrid	(202)473-1784*

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

50th ANNIVERSARY

Partnership Guides Bank Through Unfinished Development Agenda

EXCERPTS, from page 3

rapid global change, imply that the Bank Group's role in helping to address the unfinished development agenda will change. But one fundamental point endures: the Bank Group is a development institution with a long-term partnership with virtually every developing coun-

try, a wealth of cross-country experience, and a product mix that combines finance, policy advice, and in-depth research. It is committed to draw on this capacity and its fifty-year association with development in helping its borrowers reduce poverty and improve the human condition. The Bank Group calls on its partners to work with it in meeting the challenges of the twenty-first century. □

Economic Growth Data Available

A new database on economic growth is available from the World Bank's Policy Research Department. The material, on computer diskette, is drawn from seven papers published in the December, 1993, *Journal of Monetary Economics*, which is available from the World Bank bookstore.

Copies of the data diskette can be obtained by writing The Growth Project, The World Bank, Room N-11055, 1818 H St. N.W., Washington, D.C. 20433 or by calling (202) 473-1320. Requests may also be sent via internet to GROWTH@WORLD BANK.ORG@INTERNET

□

Donors Pledge New Assistance For Uganda

The Consultative Group for Uganda, meeting in Paris July 19, pledged as much as \$820 million in new assistance for the country during 1994/95.

Delegates praised Uganda's substantial progress on economic reform and liberalization over the past year, especially its efforts to sustain macroeconomic stability and implement structural reforms.

PRESS ADVISORY

Bank To Hold Urban Environment Conference in September

The Second Annual World Bank Conference on Environmentally Sustainable Development, *The Human Face of Urban Environment*, will be convened during September 19-21. Henry Cisneros, U.S. Secretary of Housing and Urban Development, will present a keynote speech on urban environment issues in the industrial countries on the 19th at 2:30.

On September 20, environment ministers will address the importance of urban environments for sustainable development. Environment ministers from Brazil (Henrique Brandao Cavalcanti), Germany (Klaus Topfer), India (Kamal Nath), Senegal (Abdoulaye Bathily) and Sri Lanka (Wimal Wickremasinghe) have been invited. Indian architect and urban planner Charles Correa will speak.

On September 21, a mayors' forum will discuss environmental problems of cities. Mayors and civic officials invited are Rachel Chatterjee of Hyderabad, India; Jaime Ravinet de la Fuente of Santiago; Ismael Mathai of Metro Manila; Steve Mwangi of Nairobi; Nikki Padyachi, Town Clerk of Johannesburg, and Francesco Rutelli of Rome. A special address *On to Istanbul* will feature Wally N'Dow, Assistant Secretary General, United Nations Centre for Human Settlements and Secretary General of the Habitat II Conference scheduled for June 1996 in Istanbul.

Journalists are invited to attend the main conference at The National Academy of Sciences, 2101 Constitution Ave., and three associated events: (1) Forum on Sustainable Community Development, (2) The Business of Sustainable Cities: Private/Public Partnerships for Creative Technical and Institutional Solutions (The World Bank, September 22-23) and (3) Quality Design and Sustainable Built Environment (American Institute of Architects, September 22).

For more information, contact Sarwat Hussain at (202) 473-5690, fax (202) 473-3112.

WORLD BANK NEWS

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The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.